

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Leelanau County	County Leelanau
Fiscal Year End December 31, 2006	Opinion Date May 4, 2007	Date Audit Report Submitted to State May 22, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

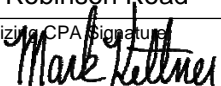
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	Single Audit Not Required		
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517.787.6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name Mark T. Kettner, CPA, CGFM		License Number 11673

Leelanau County, Michigan

Financial Statements

**For the Fiscal Year Ended
December 31, 2006**



REHMANN ROBSON

Certified Public Accountants

Leelanau County, Michigan

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Leelanau County, Michigan

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

May 4, 2007

Board of Commissioners
Leelanau County
Leland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of ***Leelanau County, Michigan*** (the "County") as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the *Leelanau County Road Commission* discretely presented component unit, which is the only component unit of the County. Those financial statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for that entity, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of ***Leelanau County, Michigan***, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The County has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Leelanau County, Michigan

Statement of Net Assets

December 31, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Road Commission
Assets				
Cash and cash equivalents	\$ 12,902,943	\$ 3,115,750	\$ 16,018,693	\$ 472,338
Investments	2,943,190	4,656,438	7,599,628	-
Receivables, net	5,951,565	1,210,627	7,162,192	813,540
Due from other governments	167,829	-	167,829	611,686
Prepaid items and other assets	174,402	823	175,225	37,760
Advance to component unit	200,000	-	200,000	-
Lease receivable - local units of government	625,000	-	625,000	-
Inventory	-	-	-	442,139
Assets held for sale	403,292	-	403,292	-
Land	817,902	-	817,902	7,115,543
Construction in progress	3,597,458	-	3,597,458	-
Depreciable capital assets, net	12,547,702	188,605	12,736,307	15,014,612
Total assets	40,331,283	9,172,243	49,503,526	24,507,618
Liabilities				
Accounts payable	822,319	7,471	829,790	43,392
Accrued liabilities	128,066	6,898	134,964	369,632
Unearned revenue	3,220,618	32	3,220,650	-
Advance from primary government	-	-	-	200,000
Notes payable	124,930	-	124,930	-
Long-term liabilities:				
Due within one year	539,085	23,514	562,599	-
Due in more than one year	6,875,000	-	6,875,000	176,862
Total liabilities	11,710,018	37,915	11,747,933	789,886
Net assets				
Invested in capital assets, net of related debt	9,738,062	188,605	9,926,667	22,130,155
Restricted for:				
Debt service	635,281	-	635,281	-
Capital projects	4,208,426	-	4,208,426	-
Other purposes	9,338,653	-	9,338,653	-
Unrestricted	4,700,843	8,945,723	13,646,566	1,587,577
Total net assets	\$ 28,621,265	\$ 9,134,328	\$ 37,755,593	\$ 23,717,732

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

Statement of Activities

For the Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 362,249	\$ -	\$ -	\$ -	\$ (362,249)
Judicial	1,246,777	316,707	275,525	-	(654,545)
General government	2,393,973	630,902	202,316	-	(1,560,755)
Public safety	5,089,132	1,263,655	352,743	-	(3,472,734)
Public works	406,870	189,985	22,247	-	(194,638)
Health and welfare	1,561,465	41,364	580,504	-	(939,597)
Recreation and cultural	61,730	212	-	-	(61,518)
Interest on long-term debt	318,678	-	-	-	(318,678)
Total governmental activities	11,440,874	2,442,825	1,433,335	-	(7,564,714)
Business-type activities:					
Building inspections	713,686	802,107	-	-	88,421
Maple Valley property	14,037	38,048	-	-	24,011
Delinquent tax collection	28,238	316,921	-	-	288,683
Total business-type activities	755,961	1,157,076	-	-	401,115
Total primary government	<u>\$ 12,196,835</u>	<u>\$ 3,599,901</u>	<u>\$ 1,433,335</u>	<u>\$ -</u>	<u>\$ (7,163,599)</u>
Component unit					
Road Commission	<u>\$ 4,292,579</u>	<u>\$ 790,676</u>	<u>\$ 2,875,847</u>	<u>\$ 568,751</u>	<u>\$ (57,305)</u>

Continued...

Leelanau County, Michigan

Statement of Activities

For the Year Ended December 31, 2006

Functions/Programs	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Road Commission
Changes in net assets				
Net (expense) revenue	\$ (7,564,714)	\$ 401,115	\$ (7,163,599)	\$ (57,305)
General revenues:				
Property taxes	9,948,806	-	9,948,806	945,971
Grants and contributions not restricted to specific programs	156,146	-	156,146	-
Unrestricted investment earnings	829,590	309,436	1,139,026	-
Gain on sale of capital assets	-	-	-	32,044
Internal transfers	9,717	(9,717)	-	-
Total general revenues and transfers	10,944,259	299,719	11,243,978	978,015
Change in net assets	3,379,545	700,834	4,080,379	920,710
Net assets, beginning of year	25,241,720	8,433,494	33,675,214	22,797,022
Net assets, end of year	<u>\$ 28,621,265</u>	<u>\$ 9,134,328</u>	<u>\$ 37,755,593</u>	<u>\$ 23,717,732</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

Leelanau County, Michigan

Balance Sheet Governmental Funds

December 31, 2006

	General	CDBG Repayment	Revenue Sharing Reserve	Leland Sewer Debt Retirement
Assets				
Cash and cash equivalents	\$ 1,666,715	\$ 12,506	\$ 3,987,998	\$ 5
Investments	1,735,050	-	-	-
Receivables:				
Accounts	48,612	-	-	-
Loans	-	776,792	-	-
Taxes	2,394,051	-	1,848,847	-
Special assessments	-	-	-	-
Leases	-	-	-	625,000
Interest	5,599	-	-	-
Due from other governments	90,541	-	-	-
Due from other funds	-	-	-	-
Prepaid items and other assets	72,267	-	-	-
Assets held for resale	-	-	-	-
Long-term advances to other funds	50,000	-	-	-
Long-term advance to component unit	-	-	-	-
Total assets	<u>\$ 6,062,835</u>	<u>\$ 789,298</u>	<u>\$ 5,836,845</u>	<u>\$ 625,005</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 185,970	\$ 2,382	\$ -	\$ -
Accrued liabilities	77,039	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	2,572,746	776,792	-	625,000
Notes payable	-	-	-	-
Long-term advances from other funds	-	-	-	-
Total liabilities	<u>2,835,755</u>	<u>779,174</u>	<u>-</u>	<u>625,000</u>
Fund balances				
Reserved for prepaids and advances	72,267	-	-	-
Unreserved:				
Undesignated	3,154,813	10,124	5,836,845	5
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balances (deficit)	<u>3,227,080</u>	<u>10,124</u>	<u>5,836,845</u>	<u>5</u>
Total liabilities and fund balances	<u>\$ 6,062,835</u>	<u>\$ 789,298</u>	<u>\$ 5,836,845</u>	<u>\$ 625,005</u>

The accompanying notes are an integral part of these financial statements.

Building	Courthouse Construction	Special Assessments	Other Governmental Funds	Total
\$ 2,014,850	\$ 863,751	\$ 186,192	\$ 3,149,257	\$ 11,881,274
1,208,140	-	-	-	2,943,190
-	-	-	85,147	133,759
-	-	-	-	776,792
-	-	-	647,377	4,890,275
-	-	140,825	-	140,825
-	-	-	-	625,000
4,315	-	-	-	9,914
-	-	-	64,231	154,772
-	-	-	3,179	3,179
-	-	-	2,697	74,964
-	-	-	87,822	87,822
165,086	-	-	-	215,086
200,000	-	-	-	200,000
<u>\$ 3,592,391</u>	<u>\$ 863,751</u>	<u>\$ 327,017</u>	<u>\$ 4,039,710</u>	<u>\$ 22,136,852</u>
\$ -	\$ 476,858	\$ 35,363	\$ 50,001	\$ 750,574
-	-	-	19,467	96,506
-	-	-	3,179	3,179
-	-	130,821	940,667	5,046,026
-	-	-	124,930	124,930
-	-	165,086	50,000	215,086
<u>-</u>	<u>476,858</u>	<u>331,270</u>	<u>1,188,244</u>	<u>6,236,301</u>
200,000	-	-	2,697	274,964
3,392,391	386,893	(4,253)	-	12,776,818
-	-	-	2,712,195	2,712,195
-	-	-	34,000	34,000
-	-	-	102,574	102,574
<u>3,592,391</u>	<u>386,893</u>	<u>(4,253)</u>	<u>2,851,466</u>	<u>15,900,551</u>
<u>\$ 3,592,391</u>	<u>\$ 863,751</u>	<u>\$ 327,017</u>	<u>\$ 4,039,710</u>	<u>\$ 22,136,852</u>

Leelanau County, Michigan

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

December 31, 2006

Fund balances - total governmental funds	\$ 15,900,551
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.	
Add: capital assets - net of accumulated depreciation	16,723,383
Assets held for sale in governmental activities are not current financial resources, and therefore are not reported in the funds.	
Add: assets held for sale	315,470
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.	
Add: deferred revenues related to delinquent personal property taxes	31,112
Add: deferred revenues related to summer property tax levy	263,770
Add: deferred revenues related to special assessments	130,821
Add: deferred revenues related to loans receivable	776,792
Add: deferred revenues related to DPW leases receivable	625,000
Add: due from local units for accrued interest on sewer debt issues	4,557
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	
Add: net assets of governmental activities accounted for in internal service funds	1,292,175
Certain liabilities are not due and payable in the current period, and therefore are not reported in the funds.	
Subtract: bonds payable	(7,225,000)
Subtract: compensated absences	(189,085)
Subtract: accrued interest on long-term liabilities	(28,281)
Net assets of governmental activities	<u><u>\$ 28,621,265</u></u>

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended December 31, 2006

	<u>General</u>	<u>CDBG Repayment</u>	<u>Revenue Sharing Reserve</u>	<u>Leland Sewer Debt Retirement</u>
Revenues				
Property taxes	\$ 7,222,463	\$ -	\$ 2,182,106	\$ -
Special assessment revenue	-	-	-	-
Licenses and permits	13,394	-	-	-
Intergovernmental revenue:				
Federal	131,946	-	-	-
State	573,490	-	-	-
Local	541	-	-	234,344
Charges for services	776,782	-	-	-
Refunds and reimbursements	177,837	-	-	-
Fines and forfeitures	2,300	-	-	-
Interest	489,618	-	161,135	-
Other revenue	184,263	80,703	-	-
Total revenues	<u>9,572,634</u>	<u>80,703</u>	<u>2,343,241</u>	<u>234,344</u>
Expenditures				
Current expenditures:				
Legislative	363,357	-	-	-
Judicial	1,192,352	-	-	-
General government	2,030,508	-	-	-
Public safety	3,985,159	-	-	-
Public works	-	-	-	-
Health and welfare	486,281	55,115	-	-
Recreation and cultural	71,081	-	-	-
Other expenditures	275,890	-	-	-
Debt service:				
Principal	-	-	-	200,000
Interest and fiscal charges	-	-	-	34,344
Capital outlay	-	-	-	-
Total expenditures	<u>8,404,628</u>	<u>55,115</u>	<u>-</u>	<u>234,344</u>
Revenues over (under) expenditures	<u>1,168,006</u>	<u>25,588</u>	<u>2,343,241</u>	<u>-</u>
Other financing sources (uses)				
Proceeds from sales of assets	-	-	-	-
Transfers in	774,258	-	-	-
Transfers out	(1,526,232)	(37,800)	(358,306)	-
Total other financing sources (uses)	<u>(751,974)</u>	<u>(37,800)</u>	<u>(358,306)</u>	<u>-</u>
Net change in fund balances	416,032	(12,212)	1,984,935	-
Fund balances, beginning of year	<u>2,811,048</u>	<u>22,336</u>	<u>3,851,910</u>	<u>5</u>
Fund balances (deficit), end of year	<u><u>\$ 3,227,080</u></u>	<u><u>\$ 10,124</u></u>	<u><u>\$ 5,836,845</u></u>	<u><u>\$ 5</u></u>

The accompanying notes are an integral part of these financial statements.

Building	Courthouse Construction	Special Assessments	Other Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 379,232	\$ 9,783,801
-	-	124,289	-	124,289
-	-	-	-	13,394
-	-	-	306,094	438,040
-	-	-	346,032	919,522
-	-	-	91,281	326,166
-	-	-	1,147,169	1,923,951
-	-	-	195,655	373,492
-	-	-	-	2,300
170,925	-	-	174	821,852
-	-	-	49,171	314,137
170,925	-	124,289	2,514,808	15,040,944
-	-	-	-	363,357
-	-	-	57,735	1,250,087
11,450	-	-	35,034	2,076,992
-	-	-	961,486	4,946,645
-	-	290,825	227,037	517,862
-	-	-	1,246,969	1,788,365
-	-	-	-	71,081
-	-	-	-	275,890
-	-	-	125,000	325,000
-	-	-	286,813	321,157
-	2,715,532	-	47,287	2,762,819
11,450	2,715,532	290,825	2,987,361	14,699,255
159,475	(2,715,532)	(166,536)	(472,553)	341,689
-	-	-	680	680
-	1,750,000	-	1,071,853	3,596,111
(1,000,000)	-	-	(664,056)	(3,586,394)
(1,000,000)	1,750,000	-	408,477	10,397
(840,525)	(965,532)	(166,536)	(64,076)	352,086
4,432,916	1,352,425	162,283	2,915,542	15,548,465
\$ 3,592,391	\$ 386,893	\$ (4,253)	\$ 2,851,466	\$ 15,900,551

Leelanau County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2006

Net change in fund balances - total governmental funds	\$ 352,086
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Similarly, governmental funds do not report non-cash donations of capital assets. However, in the statement of activities, such donations are recognized as capital grants and contributions and the estimated fair value of those assets are capitalized and depreciated over their estimated useful lives.

Add: expenditures capitalized during the year	3,128,196
Subtract: depreciation expense	(538,726)

Governmental funds report outlays for land purchases and construction costs for assets held for sale related to grant programs as expenditures. In addition, the gross proceeds from the sales of the assets are recorded as other financing sources. However, in the statement of activities, only the net loss at the time of the sale of assets is recorded.

Add: expenditures for assets held for sale during the year	231,191
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Subtract: change in deferred loans receivable	(73,622)
Subtract: change in deferred leases receivable	(200,000)
Add: change in deferred delinquent personal property tax receivables	4,378
Add: change in deferred property tax receivables related to the summer levy	160,627
Subtract: change in deferred special assessments receivable	(124,289)
Subtract: change in amount due from local units for accrued interest on DPW debt	(2,167)

The issuance of long-term debt provides current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term debt	325,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: change in accrued interest on bonds payable	2,479
Add: change in accrued compensated absences	11,585

Internal service funds are used by management to charge the costs of certain activities, such as equipment usage to individual funds. The net revenue of certain internal service funds is reported with governmental activities.

Add: net operating income from governmental activities accounted for in internal service funds	97,906
Add: gain on disposal of capital assets in governmental internal service funds	750
Add: interest revenue from governmental internal service funds	4,151

Change in net assets of governmental activities	<u>\$ 3,379,545</u>
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The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

General Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended December 31, 2006

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ 6,976,831	\$ 6,989,631	\$ 7,222,463	\$ 232,832
Licenses and permits	20,100	17,700	13,394	(4,306)
Intergovernmental revenue:				
Federal	106,452	146,236	131,946	(14,290)
State	580,516	595,560	573,490	(22,070)
Local	875	1,075	541	(534)
Charges for services	780,420	816,035	776,782	(39,253)
Refunds and reimbursements	118,050	185,438	177,837	(7,601)
Fines and forfeits	2,000	2,000	2,300	300
Interest	220,000	465,000	489,618	24,618
Other revenue	154,624	186,248	184,263	(1,985)
Total revenues	8,959,868	9,404,923	9,572,634	167,711
Expenditures				
Legislative				
Board of Commissioners	379,880	379,880	363,357	(16,523)
Judicial				
Circuit court	267,446	267,446	212,466	(54,980)
Circuit court - Family	329,506	331,463	311,474	(19,989)
District court	337,446	337,446	327,672	(9,774)
Jury fees	14,184	14,184	9,562	(4,622)
Probate court	355,043	355,043	331,178	(23,865)
Total judicial	1,303,625	1,305,582	1,192,352	(113,230)
General government				
Accounting	125,838	125,838	120,443	(5,395)
Elections	59,791	59,791	44,362	(15,429)
County clerk	346,047	346,047	284,254	(61,793)
Equalization	313,694	313,694	287,735	(25,959)
Attorney/legal fees	35,000	35,000	21,944	(13,056)
Remonumentation	45,968	45,968	44,198	(1,770)
Prosecuting Attorney	369,793	369,793	346,213	(23,580)
Prosecuting Attorney - social services	58,147	58,147	55,090	(3,057)
Victim services	62,246	62,246	58,794	(3,452)
Register of deeds	267,067	267,067	250,819	(16,248)
Treasurer	259,911	259,911	246,527	(13,384)
Cooperative extension	166,972	166,972	155,391	(11,581)
Farmland preservation	13,140	13,140	12,975	(165)
Drain commission	18,297	18,297	17,412	(885)
Soil conservation	48,900	48,900	47,221	(1,679)
County audit	40,000	40,000	37,130	(2,870)
Total general government	2,230,811	2,230,811	2,030,508	(200,303)

Continued...

Leelanau County, Michigan

General Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Public safety				
Sheriff	\$ 1,568,028	\$ 1,591,878	\$ 1,591,874	\$ (4)
Community work	77,612	36,523	21,614	(14,909)
Emergency medical service	1,000	1,000	-	(1,000)
Marine	76,852	76,852	73,004	(3,848)
Sheriff secondary road patrol	90,872	90,872	77,748	(13,124)
Jail	1,509,483	1,646,961	1,646,961	-
Planning department	232,373	232,373	217,559	(14,814)
COPS Fast	4,486	4,485	4,025	(460)
Township/Village police services	162,061	162,061	143,741	(18,320)
Anti-Drug	-	83,532	83,531	(1)
Plat Board - Board of Appeals	431	431	81	(350)
Emergency service	74,261	74,261	58,189	(16,072)
Disaster contingency	500	500	-	(500)
Animal control	75,986	75,986	66,832	(9,154)
Total public safety	3,873,945	4,077,715	3,985,159	(92,556)
Health and welfare				
Benzie/Leelanau Health Department	225,710	233,640	233,639	(1)
Substance abuse	54,000	56,335	56,335	-
Medical examiner	21,600	21,600	10,875	(10,725)
Mental Health Board	139,700	139,700	139,700	-
Ambulance services	500	500	-	(500)
Veteran's affairs	34,824	35,697	34,932	(765)
Veteran's burial	7,500	10,800	10,800	-
Total health and welfare	483,834	498,272	486,281	(11,991)
Recreation & cultural				
Parks & recreation	63,316	73,316	71,081	(2,235)
Other expenditures				
Insurance & bonds	283,500	285,043	270,436	(14,607)
Contribution to other agency	15,000	15,000	-	(15,000)
Other	17,454	5,454	5,454	-
Total other expenditures	315,954	305,497	275,890	(29,607)
Total expenditures	8,651,365	8,871,073	8,404,628	(466,445)
Revenues over (under) expenditures	308,503	533,850	1,168,006	634,156

Continued...

Leelanau County, Michigan

General Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended December 31, 2006

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Other financing sources (uses)				
Transfers in	\$ 775,700	\$ 771,023	\$ 774,258	\$ 3,235
Transfers out	(1,083,353)	(2,054,021)	(1,526,232)	(527,789)
Total other financing (uses)	(307,653)	(1,282,998)	(751,974)	531,024
Net change in fund balance	850	(749,148)	416,032	1,165,180
Fund balance - beginning of year	2,811,048	2,811,048	2,811,048	-
Fund balance - end of year	<u>\$ 2,811,898</u>	<u>\$ 2,061,900</u>	<u>\$ 3,227,080</u>	<u>\$ 1,165,180</u>

Concluded...

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

CDBG Repayment Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended December 31, 2006

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Other revenues	\$ 42,000	\$ 42,000	\$ 80,703	\$ 38,703
Expenditures				
Health and welfare	33,600	33,600	55,115	21,515
Revenues over (under) expenditures	8,400	8,400	25,588	17,188
Other financing (uses)				
Transfers out	(8,400)	(8,400)	(37,800)	(29,400)
Net change in fund balance	-	-	(12,212)	(12,212)
Fund balance - beginning of year	22,336	22,336	22,336	-
Fund balance - end of year	<u>\$ 22,336</u>	<u>\$ 22,336</u>	<u>\$ 10,124</u>	<u>\$ (12,212)</u>

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

Revenue Sharing Reserve Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended December 31, 2006

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Property taxes	\$ 2,182,106	\$ 2,182,106	\$ 2,182,106	\$ -
Interest	-	120,000	161,135	41,135
Total revenues	2,182,106	2,302,106	2,343,241	41,135
Other financing (uses)				
Transfers out	(357,266)	(358,306)	(358,306)	-
Net change in fund balance	1,824,840	1,943,800	1,984,935	41,135
Fund balance - beginning of year	3,851,910	3,851,910	3,851,910	-
Fund balance - end of year	<u>\$ 5,676,750</u>	<u>\$ 5,795,710</u>	<u>\$ 5,836,845</u>	<u>\$ 41,135</u>

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

Statement of Net Assets Proprietary Funds

December 31, 2006

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Unpledged Delinquent Tax Revolving	Other Enterprise Funds	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 2,500,189	\$ 615,561	\$ 3,115,750	\$ 1,021,669
Investments	4,656,438	-	4,656,438	-
Receivables:				
Delinquent taxes receivable	1,087,368	32	1,087,400	-
Interest	123,227	-	123,227	-
Prepaid items	-	823	823	99,438
Due from other governments	-	-	-	8,500
Total current assets	8,367,222	616,416	8,983,638	1,129,607
Noncurrent assets				
Capital assets, net	-	188,605	188,605	239,679
Total assets	8,367,222	805,021	9,172,243	1,369,286
Liabilities				
Current liabilities				
Accounts payable	-	7,471	7,471	71,745
Accrued liabilities	-	6,898	6,898	3,279
Unearned revenue	-	32	32	2,087
Total current liabilities	-	14,401	14,401	77,111
Noncurrent liabilities				
Compensated absences	-	23,514	23,514	-
Total liabilities	-	37,915	37,915	77,111
Net assets				
Invested in capital assets	-	188,605	188,605	239,679
Unrestricted	8,367,222	578,501	8,945,723	1,052,496
Total net assets	\$ 8,367,222	\$ 767,106	\$ 9,134,328	\$ 1,292,175

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

For the Year Ended December 31, 2006

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Unpledged Delinquent Tax Revolving	Other Enterprise Funds	Total	
Operating revenues				
Charges for services	\$ 82,178	\$ 841,306	\$ 923,484	\$ 867,142
Interest on delinquent taxes	195,544	-	195,544	-
Operating grants	-	-	-	8,500
Other revenue	-	38,048	38,048	-
Total operating revenues	<u>277,722</u>	<u>879,354</u>	<u>1,157,076</u>	<u>875,642</u>
Operating expenses				
Salaries and fringes	-	499,218	499,218	239,507
Depreciation	-	13,762	13,762	73,561
Other expenses	5,930	237,051	242,981	464,668
Total operating expenses	<u>5,930</u>	<u>750,031</u>	<u>755,961</u>	<u>777,736</u>
Operating income	<u>271,792</u>	<u>129,323</u>	<u>401,115</u>	<u>97,906</u>
Nonoperating revenue				
Gain on disposal of capital assets	-	-	-	750
Interest revenue	309,436	-	309,436	4,151
Total nonoperating revenue	<u>309,436</u>	<u>-</u>	<u>309,436</u>	<u>4,901</u>
Income before transfers	<u>581,228</u>	<u>129,323</u>	<u>710,551</u>	<u>102,807</u>
Transfers				
Transfers in	-	-	-	25,000
Transfers out	(9,717)	-	(9,717)	(25,000)
Total transfers	<u>(9,717)</u>	<u>-</u>	<u>(9,717)</u>	<u>-</u>
Change in net assets	<u>571,511</u>	<u>129,323</u>	<u>700,834</u>	<u>102,807</u>
Net assets, beginning of year	<u>7,795,711</u>	<u>637,783</u>	<u>8,433,494</u>	<u>1,189,368</u>
Net assets, end of year	<u>\$ 8,367,222</u>	<u>\$ 767,106</u>	<u>\$ 9,134,328</u>	<u>\$ 1,292,175</u>

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

Statement of Cash Flows Proprietary Funds

For the Year Ended December 31, 2006

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Unpledged Delinquent Tax Revolving	Other Enterprise Funds	Total	
Cash flows from operating activities				
Cash received from interfund services	\$ -	\$ -	\$ -	\$ 858,642
Cash received from customers	2,635,480	879,535	3,515,015	9,286
Cash payments for delinquent taxes	(2,769,908)	-	(2,769,908)	-
Cash payments to suppliers for goods and services	(5,930)	(243,851)	(249,781)	(458,462)
Cash payments to employees for services	-	(496,047)	(496,047)	(239,360)
Net cash provided by (used in) operating activities	(140,358)	139,637	(721)	170,106
Cash flows from non-capital financing activities				
Transfers in	-	-	-	25,000
Transfers out	(9,717)	-	(9,717)	(25,000)
Net cash used in non-capital financing activities	(9,717)	-	(9,717)	-
Cash flows from capital and related financing activities				
Purchases of capital assets	-	-	-	(158,086)
Proceeds from sale of capital assets	-	-	-	750
Net cash used in capital and related financing activities	-	-	-	(157,336)
Cash flows from investing activities				
Interest received	309,436	-	309,436	4,151
Purchase of investments	(1,131,032)	-	(1,131,032)	-
Net cash provided by (used in) investing activities	(821,596)	-	(821,596)	4,151
Net increase (decrease) in cash and cash equivalents	(971,671)	139,637	(832,034)	16,921
Cash and cash equivalents, beginning of year	3,471,860	475,924	3,947,784	1,004,748
Cash and cash equivalents, end of year	\$ 2,500,189	\$ 615,561	\$ 3,115,750	\$ 1,021,669

Continued...

Leelanau County, Michigan

Statement of Cash Flows Proprietary Funds

For the Year Ended December 31, 2006

	<u>Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Unpledged Delinquent Tax Revolving</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	
Cash flows from operating activities				
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 271,792	\$ 129,323	\$ 401,115	\$ 97,906
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	-	13,762	13,762	73,561
Changes in assets and liabilities which provided (used) cash				
Taxes receivable	(391,855)	181	(391,674)	-
Interest receivable	(20,295)	-	(20,295)	-
Prepaid items	-	(123)	(123)	26,114
Due from other governments	-	-	-	(8,500)
Accounts payable	-	(6,668)	(6,668)	(19,908)
Accrued liabilities	-	3,171	3,171	147
Unearned revenue	-	(9)	(9)	786
Net cash provided by (used in) operating activities	<u>\$ (140,358)</u>	<u>\$ 139,637</u>	<u>\$ (721)</u>	<u>\$ 170,106</u>
				Concluded

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan
Statement of Fiduciary Net Assets
Fiduciary Funds

December 31, 2006

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u><u>\$ 862,932</u></u>
Liabilities	
Due to other governments	\$ 119,957
Undistributed collections	52,122
Other current liabilities	<u>690,853</u>
Total liabilities	<u><u>\$ 862,932</u></u>

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

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Notes to the Financial Statements

December 31, 2006

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Leelanau County, Michigan

Notes To The Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Leelanau County, Michigan (the “County”) was organized in 1863 and covers an area of approximately 334 square miles with the county seat located in Leland, Michigan. The County operates under an elected Board of Commissioners of seven members and provides services, assistance and care to its more than 21,000 residents, primarily from the operations of its general and special revenue funds. The County’s services, assistance and care include the (1) general county departments, boards and commissions; (2) court system administration; (3) law enforcement and corrections; (4) assistance and/or institutional care to the aged, needy, wards of the court, neglected children and public and mental health recipients; (5) libraries; and (6) recreation.

The accounting policies of the County conform to generally accepted accounting principles as applicable to state and local governments. The following is a summary of the more significant accounting policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the County and its component unit. The component unit discussed below is included in the County’s reporting entity because of the significance of its operational and financial relationship with the County.

Discretely Presented Component Unit – The amounts reported as “component unit” in the basic financial statements include the financial data of the County’s discretely presented component unit, the Leelanau County Road Commission. The County has the ability to influence the operations of the Leelanau County Road Commission and has accountability for fiscal matters. Separate financial statements for the Road Commission are available from the Leelanau County Road Commission, 10550 E. Eckerle Road, Suttons Bay, MI 49682.

Regional Joint Operations

The County participates jointly in the operations of the Benzie-Leelanau District Health Department. The financial operations of the Benzie-Leelanau District Health Department are recorded as a component unit of Benzie County. The County’s appropriation to the Benzie-Leelanau District Health Department for the year ended December 31, 2006 was \$233,640.

The County participates in the operation of the Northwest Michigan Regional Airport Commission with Grand Traverse County. The Airport Commission operates with a separate treasurer. Separate financial statements for the Airport Commission are available from the Northwest Michigan Regional Airport Commission, Cherry Capital Airport Administrative Office, Traverse City, MI 49684.

The County participates jointly in the operations of the Grand Traverse County 86th District Court and 13th Circuit Court, including the Friend of the Court. The financial operations of the courts are reported in the financial statements of Grand Traverse County. Leelanau County provides financial support of the Friend of the Court through an appropriation, which amounted to \$60,000 for the year ended December 31, 2006.

Leelanau County, Michigan

Notes To The Financial Statements

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the respective fund financial statements.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *CDBG Repayment Fund* accounts for repayments of CDBG loans and the use of those funds to rehabilitate homes whose owners meet income eligibility guidelines.

The *Revenue Sharing Reserve Fund* accounts for the funding mechanism that substitutes for state revenue sharing payments, which is the gradual acceleration of the County property tax levy.

The *Leland Sewer Debt Retirement Fund* accounts for the debt payments made to retire the Leland Township sewer bond issue and the related receivable due from the Township.

The *Building Fund* accounts for the accumulation, and future expenditure, of funds to construct a new county services building.

The *Courthouse Construction* fund accounts for the accumulation, and future expenditure, of funds to construct a new county courthouse.

The *Special Assessments Fund* is used to account for special assessments received to fund major improvements to the County-owned dam.

Leelanau County, Michigan

Notes To The Financial Statements

The government reports the following major proprietary fund:

The *Unpledged DTR (Delinquent Tax Revolving) Fund* accounts for the County's administration and collection of delinquent real property taxes for all taxing units in Leelanau County.

Additionally, the government reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt service funds. These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital projects funds. These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

Enterprise funds. These funds account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service funds* account for fleet and equipment management, building and grounds, data processing, copy machine, mailing department, and insurance services provided to other departments or agencies of the government on a cost reimbursement basis.

The *agency funds* account for assets held for other governments in an agency capacity, specifically in the trust and agency fund, library penal fine fund, district court and circuit court agency funds and the inmate trust fund.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement based grants. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Leelanau County, Michigan

Notes To The Financial Statements

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to residents and businesses for building permits and inspection fees, and fees charged on the collection of delinquent property taxes. Operating expenses for enterprise funds include personnel and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Investments are reported at fair value.

2. Receivables and payables

All receivables are reported at their gross value.

Leelanau County, Michigan

Notes To The Financial Statements

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans.) All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental and business-type activities, if any, are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government and component unit are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	5-30
Radio towers	40
Vehicles	2-5
Equipment	3-10
Infrastructure – roads	8-30
Infrastructure – bridges	12-50
Infrastructure – dam	30

5. *Assets held for sale*

Assets held for sale consist of homes held for sale funded by the Home grant.

Leelanau County, Michigan

Notes To The Financial Statements

6. *Compensated absences*

County employees are granted vacation hours on their anniversary date of hire. The number of hours is dependent upon years of service. Unused vacation hours are accrued at fiscal year-end. Upon termination an employee may be paid for unused vacation up to a maximum of 240 hours.

All vacation and personal leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

7. *Long-term obligations*

In the government-wide financial statements and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary information*

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general and special revenue funds. All annual appropriations lapse at fiscal year end. During the November board meeting of each year, the Board of Commissioners adopts, by resolution, the budget for the next fiscal year.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing board is the activity level, which is the level at which expenditures may not legally exceed appropriations. The County Administrator may make transfers of appropriations between departments within any funds; however, any supplemental appropriations that amend the total expenditures of any fund require Board of Commissioner's resolution.

Leelanau County, Michigan

Notes To The Financial Statements

B. Expenditures in excess of appropriations

P.A. 621 of 1978 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the budgetary funds have been shown on the activity basis. The approved budgets of the County for the budgetary funds were adopted at the activity level for the general fund and at the functional level for the special revenue funds.

The following funds had expenditures in excess of appropriations:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Special Revenue Funds			
CDBG Repayment:			
Health and welfare	\$ 33,600	\$ 55,115	\$ 21,515
Transfers out	8,400	37,800	29,400
Landfill - transfers out	-	12,144	12,144
911 - public safety	2,500	3,596	1,096
Homestead Audit - general government	-	5	5
Gaming - transfers out	-	8,000	8,000
Law Library - judicial	9,232	9,685	453
HOME - transfers out	-	42,000	42,000
Child Care DHS - health and welfare	4,056	8,507	4,451

C. Deficit fund balance

The Special Assessments Fund ended the year with a fund deficit of \$4,253.

Leelanau County, Michigan

Notes To The Financial Statements

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Following is a reconciliation of deposit and investment balances (including both pooled cash and investments) for the primary government as December 31, 2006:

Statement of Net Assets	
Cash and cash equivalents	\$ 16,018,693
Investments	7,599,628
Statement of Fiduciary Net Assets	
Cash and cash equivalents	<u>862,932</u>
Total	<u>\$ 24,481,253</u>
 Deposits and Investments:	
Bank deposits	\$ 8,783,382
Investments	15,696,671
Cash on hand	<u>1,200</u>
Total	<u>\$ 24,481,253</u>

As of year end, the County had the following investments:

	Carrying Amount (Fair Value)	<u>Credit Rating</u>
Bank One Governmental Operating Money Market	\$ 1,845,255	Aaa (Moody's)
Huntington Bank Business Premier MMA	2,121,860	Aaa (Moody's)
LaSalle Bank Public Funds Investment Trust	609,916	Aaa (Moody's)
LaSalle Bank Public Funds MMA	762,818	Aaa (Moody's)
Federated Governmental Obligations Money Market	<u>10,356,822</u>	Aaa (Moody's)
	<u>\$ 15,696,671</u>	

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Leelanau County, Michigan

Notes To The Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings on the County's investments are presented above.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$8,425,960 of the combined bank balance of \$9,125,960 (total book balance was \$8,783,382) was exposed to custodial credit risk because it was uninsured and uncollateralized. The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable level are used as depositories.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

B. Receivables

Receivables are comprised of the following:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Accounts receivable	\$ 133,759	\$ -
Loans receivable	776,792	-
Taxes receivable	4,890,275	1,087,400
Special assessments receivable	140,825	-
Interest receivable	<u>9,914</u>	<u>123,227</u>
Total receivables	<u>\$ 5,951,565</u>	<u>\$ 1,210,627</u>
 Amount not expected to be collected within one year	 <u>\$ 776,792</u>	 <u>\$ 120,000</u>

Leelanau County, Michigan

Notes To The Financial Statements

Leases receivable from local units of government in the governmental activities are due entirely from Leland Township. The terms of the sales lease, which relate to sewer systems financed by the County on behalf of the Township, match the debt maturity requirements of the related bonds. At year end, the County reported leases receivable in governmental activities of \$625,000, of which \$425,000 is not expected to be collected within one year.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Governmental Funds:		
Property taxes levied for the next fiscal year	\$ -	\$ 3,113,598
Long-term receivables not collectible within 60 days:		
Delinquent personal property taxes	31,112	-
Delinquent property taxes from summer levy	263,770	-
Special assessments	130,821	-
Loans	776,792	-
Leases – local units of government	625,000	-
Fees received in advance of being earned	<u>-</u>	<u>104,933</u>
	<u>\$ 1,827,495</u>	3,218,531
Internal Service Funds:		
Fees received in advance of being earned		<u>2,087</u>
		<u>\$ 3,220,618</u>

Leelanau County, Michigan

Notes To The Financial Statements

C. Capital assets

Capital asset activity was as follows for the year ended December 31, 2006:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 817,902	\$ -	\$ -	\$ 817,902
Construction in progress	880,519	2,716,939	-	3,597,458
Total capital assets, not being depreciated	<u>1,698,421</u>	<u>2,716,939</u>	<u>-</u>	<u>4,415,360</u>
Capital assets, being depreciated:				
Infrastructure	3,533,115	283,182	-	3,816,297
Buildings and improvements	8,196,614	11,563	-	8,208,177
Land improvements	84,691	-	-	84,691
Radio towers	935,683	37,278	-	972,961
Equipment	1,167,877	101,688	(5,640)	1,263,925
Vehicles	859,249	135,632	-	994,881
Office equipment/furniture	550,884	-	-	550,884
Total capital assets, being depreciated	<u>15,328,113</u>	<u>569,343</u>	<u>(5,640)</u>	<u>15,891,816</u>
Less accumulated depreciation for:				
Infrastructure	(49,071)	(124,063)	-	(173,134)
Buildings and improvements	(856,219)	(263,629)	-	(1,119,848)
Land improvements	(1,624)	(2,823)	-	(4,447)
Radio towers	(151,558)	(23,944)	-	(175,502)
Equipment	(453,358)	(156,764)	5,640	(604,482)
Vehicles	(790,028)	(33,062)	-	(823,090)
Office equipment/furniture	(435,609)	(8,002)	-	(443,611)
Total accumulated depreciation	<u>(2,737,467)</u>	<u>(612,287)</u>	<u>5,640</u>	<u>(3,344,114)</u>
Total capital assets, being depreciated, net	<u>12,590,646</u>	<u>(42,944)</u>	<u>-</u>	<u>12,547,702</u>
Governmental activities capital assets, net	<u>\$ 14,289,067</u>	<u>\$ 2,673,995</u>	<u>\$ -</u>	<u>\$ 16,963,062</u>

Leelanau County, Michigan

Notes To The Financial Statements

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 623,655	\$ -	\$ -	\$ 623,655
Land improvements	6,557	-	-	6,557
Equipment	<u>175,038</u>	<u>-</u>	<u>-</u>	<u>175,038</u>
Total capital assets, being depreciated	<u>805,250</u>	<u>-</u>	<u>-</u>	<u>805,250</u>
Less accumulated depreciation for:				
Buildings and improvements	(433,375)	(12,258)	-	(445,633)
Land improvements	(211)	(219)	-	(430)
Equipment	<u>(169,297)</u>	<u>(1,285)</u>	<u>-</u>	<u>(170,582)</u>
Total accumulated depreciation	<u>(602,883)</u>	<u>(13,762)</u>	<u>-</u>	<u>(616,645)</u>
Business-type activities capital assets, net	<u>\$ 202,367</u>	<u>\$ (13,762)</u>	<u>\$ -</u>	<u>\$ 188,605</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities

Judicial	\$ 1,243
General government	36,236
Public safety	363,913
Public works	124,840
Health and welfare	6,306
Recreation and cultural	6,188
Internal service funds	<u>73,561</u>

Total depreciation expense - governmental activities

\$ 612,287

Business-type activities

Maple Valley property	<u>\$ 13,762</u>
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Leelanau County, Michigan

Notes To The Financial Statements

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Road Commission Component Unit				
Capital assets net being depreciated				
Land and land improvements	\$ 6,455,789	\$ 659,754	\$ -	\$ 7,115,543
Capital assets being depreciated:				
Buildings and improvements	1,605,505	-	-	1,605,505
Equipment	8,202,445	825,307	(279,572)	8,748,180
Infrastructure	15,257,208	1,063,562	-	16,320,770
Total capital assets being depreciated	25,065,158	1,888,869	(279,572)	26,674,455
Less accumulated depreciation for:				
Buildings and improvements	(583,025)	(39,399)	-	(622,424)
Equipment	(6,219,538)	(725,394)	276,951	(6,667,981)
Infrastructure	(3,636,091)	(733,347)	-	(4,369,438)
Total accumulated depreciation	(10,438,654)	(1,498,140)	276,951	(11,659,843)
Total capital assets being depreciated, net	14,626,504	390,729	(2,621)	15,014,612
Road Commission capital assets, net	<u>\$ 21,082,293</u>	<u>\$ 1,050,483</u>	<u>\$ (2,621)</u>	<u>\$ 22,130,155</u>

D. Payables

Accounts payable in both the governmental and business-type activities consist entirely of amounts due to vendors.

Accrued liabilities are comprised of the following:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Accrued payroll and withholdings	\$ 99,785	\$ 6,898
Accrued interest	28,281	-
	<u>\$ 128,066</u>	<u>\$ 6,898</u>

Leelanau County, Michigan

Notes To The Financial Statements

E. Interfund receivables, payables and transfers

At year end, amounts due from/due to other funds between nonmajor governmental funds of \$3,179 were established to cover cash deficits.

At year end, advances to/from other funds for operations were as follows:

<u>Advances from other funds</u>	<u>Advances to other funds</u>		
	<u>General fund</u>	<u>Building fund</u>	<u>Total</u>
Special assessments fund	\$ -	\$ 165,086	\$ 165,086
Nonmajor governmental funds	<u>50,000</u>	<u>-</u>	<u>50,000</u>
	<u>\$ 50,000</u>	<u>\$ 165,086</u>	<u>\$ 215,086</u>

For the year ended December 31, 2006, interfund transfers consisted of the following:

<u>Transfers from</u>	<u>Transfers to</u>			
	<u>General</u>	<u>Courthouse construction fund</u>	<u>Nonmajor governmental</u>	<u>Total</u>
General fund	\$ -	\$ 750,000	\$ 776,232	\$ 1,526,232
CDBG repayment fund	-	-	37,800	37,800
Revenue sharing reserve fund	358,306	-	-	358,306
Building fund	-	1,000,000	-	1,000,000
Nonmajor governmental funds	406,235	-	257,821	664,056
Unpledged delinquent tax revolving fund	9,717	-	-	9,717
	<u>\$ 774,258</u>	<u>\$ 1,750,000</u>	<u>\$ 1,071,853</u>	<u>\$ 3,596,111</u>

Interfund transfers are for: (1) transferring tax administration fees to the general fund, (2) using unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (3) to transfer funds for reimbursement of administration earned in the CDBG Repayment and Home Funds to the CDBG Administration Fund, (4) to transfer property taxes as required by State of Michigan Public Act 357 of 2004, and (5) to transfer funds to the general fund from the budget stabilization fund as authorized by Board resolution.

Leelanau County, Michigan

Notes To The Financial Statements

F. Long-term debt

The following is a summary of bond and compensated absences transactions of the County for the year ended December 31, 2006:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds	\$ 7,550,000	\$ -	\$ 325,000	\$ 7,225,000	\$ 350,000
Compensated absences	<u>200,670</u>	<u>210,336</u>	<u>221,921</u>	<u>189,085</u>	<u>189,085</u>
	<u>\$ 7,750,670</u>	<u>\$ 210,336</u>	<u>\$ 546,921</u>	<u>\$ 7,414,085</u>	<u>\$ 539,085</u>
Business-type activities					
Compensated absences	<u>\$ 20,469</u>	<u>\$ 21,405</u>	<u>\$ 18,360</u>	<u>\$ 23,514</u>	<u>\$ 23,514</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

General obligation debt consists of general obligation bonds of the Department of Public Works and a general obligation bond for the construction of the County Law Enforcement Center. Department of Public Works bonds are for township sewer disposal systems. The sewer bonds are direct obligations of the respective township or village and an indirect obligation of the County. General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturing Year</u>	<u>Year End Balance</u>
Law Enforcement Center	3.0-4.75%	2027	\$ 6,600,000
Department of Public Works - Leland Township	4.4-9.4%	2010	<u>625,000</u>
			<u>\$ 7,225,000</u>

Leelanau County, Michigan

Notes To The Financial Statements

Annual debt service requirements for primary government general obligation debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 350,000	\$ 305,406	\$ 655,406
2008	350,000	291,969	641,969
2009	375,000	277,938	652,938
2010	225,000	266,672	491,672
2011	200,000	258,875	458,875
2012-2016	1,300,000	1,155,006	2,455,006
2017-2021	1,700,000	840,575	2,540,575
2022-2026	2,225,000	394,669	2,619,669
2027	<u>500,000</u>	<u>11,875</u>	<u>511,875</u>
Total	<u>\$ 7,225,000</u>	<u>\$ 3,802,985</u>	<u>\$11,027,985</u>

G. Short-term notes payable

During the year, the County financed the purchase of land for development under the Home Investment Partnership program. This loan was issued for a term of less than one year and, accordingly, is recorded as a liability in the fund from which it was issued. At year end, short-term notes payable consisted of the following:

Nonmajor governmental funds:

Notes payable, interest at 6.5% due 8/9/2007:

Beginning balance	\$ 85,000
Additions	124,930
Reductions	<u>(85,000)</u>
Ending balance	<u>\$ 124,930</u>

IV. OTHER INFORMATION

A. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The County participates as a member in the Michigan Municipal Risk Management Authority (the "Authority"). The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage and property.

Leelanau County, Michigan

Notes To The Financial Statements

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. The County's member maximum retention on general liability is \$75,000. The limits on auto physical damage are \$15,000 per unit and \$30,000 per occurrence. The retention limits for property and crime coverage are subject to a \$1,000 deductible per occurrence with 10 percent of the first \$100,000 to be paid by the member. The Authority administers all claims and provides the County quarterly activity statements that are used to estimate the liability for unpaid claims.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund.

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements. The reinsurance agreements discussed above include provisions for minimum annual premiums. As of December 31, 2006, the Authority had met the minimum requirements.

The County reports the activity and its share of the Retention Fund in an internal service fund.

The County has transferred the risk of loss for workers' compensation and health insurance via the purchase of commercial insurance policies. Settled claims have not exceeded coverage in any of the past three fiscal years.

B. Contingencies

There are lawsuits pending in which the County is involved. The County estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

The County participates in a number of federal and state assisted grant programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Leelanau County, Michigan

Notes To The Financial Statements

C. Property taxes

Prior to 2005, the County property taxes were levied on December 1 of each year (the lien date) and were due in full by March 1 of the year following the levy, at which time uncollected taxes became delinquent. Pursuant to Public Act 357 of 2004, which provides a funding mechanism to replace state revenue sharing payments to counties, the County's levy date is gradually shifting (or accelerating) from December 1 to July 1 of each year. As such, for the year ended December 31, 2006, the County recognized one-third of the December 1, 2005 levy and two-thirds of the July 1, 2006 levy. In 2007, and for each year thereafter, all of the County property tax will be levied July 1.

Property taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which limits annual increases in assessed values to the lesser of 5% or the rate of inflation with assessed value reverting to 50% of true cash value when the property is sold.

The assessed and taxable value of real and personal property for the December 1, 2005 levy, for which revenue was recognized in fiscal 2006, was \$1.8 billion. The general operating tax rate for this levy was at the maximum rate of 3.7635 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had a voter approved tax of 0.2535 mills for the Commission on Aging.

The assessed and taxable value of real and personal property for the July 1, 2006 levy, for which revenue was recognized in fiscal 2006, was \$2.0 billion. The general operating tax rate for this levy was at the maximum rate of 3.6569 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution.

By agreement with various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable.

D. Pension plans

Defined Contribution Plan

The County offers a money purchase pension plan, the Leelanau County Money Purchase Pension Plan 401(a), in accordance with Internal Revenue Code Section 401(a), to all regular and grant full-time employees who have been employed for at least two years. The Plan is administered by Pebsco. Plan provisions and contribution requirements are established and may be amended by Leelanau County. The County matches 100% of employee contributions to their section 457 deferred compensation account, ranging from a minimum of \$300 to a maximum of \$1,000 depending on the employees' years of service. For the year ended December 31, 2006, the County contributed \$35,034 based on the employee contributions into their Section 457 accounts.

Leelanau County, Michigan

Notes To The Financial Statements

Defined Benefit Plan

Plan Description. The County's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The County participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy. The County is required to contribute at an actuarially determined rate; the current rate ranges from 12.33% to 14.36% of annual covered payroll. Employees that are members of the County's POAM bargaining unit are required to contribute .92% of their pay. Members of the County's COAM bargaining unit are required to contribute 1.00% of their pay. County employees that are not members of these bargaining units are not required to contribute to the Plan. The contribution requirements of the County are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the County, depending on the MERS contribution program adopted by the County.

Annual Pension Cost. For the year ended December 31, 2006, the County's annual pension cost of \$676,530 for MERS was equal to the County's required and actual contributions. The employee contribution was \$15,666. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation and (c) additional projected salary increases of 0.0% to 4.50% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2005, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/04	\$ 529,542	100 %	\$ -
12/31/05	621,484	100	-
12/31/06	676,530	100	-

Leelanau County, Michigan

Notes To The Financial Statements

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/03	\$ 7,304,291	\$10,154,889	\$2,850,598	72%	\$3,294,043	79%
12/31/04	8,118,443	12,260,264	4,141,821	66	4,106,928	101
12/31/05	8,998,133	12,917,831	3,919,698	70	4,333,152	90

E. Operating Leases – Lessor

The County has entered into operating lease agreements with Nextel, Alltel, Cingular, NPI, and Consumers Energy for space on County-owned communication towers. The parties have agreed to various lengths of rental agreements, which all contain a right to renewal. Payment on lease rentals is dependent on the location of the antenna on the tower. The following is a summary of the minimum lease rental revenue for the next three years:

2007	\$ 98,696
2008	20,201
2009	<u>6,480</u>
Total	<u>\$ 125,377</u>

F. Commitments

The County is obligated for construction contracts relating to the construction of a new County governmental center in the amount of \$7,620,688. These commitments are not susceptible to accrual. Accordingly, no liabilities have been recorded in the financial statements.

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SUPPLEMENTARY INFORMATION

Leelanau County, Michigan

**Combining Balance Sheet
Nonmajor Governmental Funds**

December 31, 2006

	Special Revenue Funds	Debt Service Fund Law Enforcement	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,012,683	\$ 34,000	\$ 102,574	\$ 3,149,257
Receivables:				
Accounts	85,147	-	-	85,147
Taxes	647,377	-	-	647,377
Due from other governments	64,231	-	-	64,231
Due from other funds	-	-	3,179	3,179
Prepaid items	2,697	-	-	2,697
Assets held for resale	87,822	-	-	87,822
Total assets	\$ 3,899,957	\$ 34,000	\$ 105,753	\$ 4,039,710
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 50,001	\$ -	\$ -	\$ 50,001
Accrued liabilities	19,467	-	-	19,467
Due to other funds	-	-	3,179	3,179
Deferred revenue	940,667	-	-	940,667
Notes payable	124,930	-	-	124,930
Long-term advance from other funds	50,000	-	-	50,000
Total liabilities	1,185,065	-	3,179	1,188,244
Fund balances				
Reserved	2,697	-	-	2,697
Unreserved	2,712,195	34,000	102,574	2,848,769
Total fund balances	2,714,892	34,000	102,574	2,851,466
Total liabilities and fund balances	\$ 3,899,957	\$ 34,000	\$ 105,753	\$ 4,039,710

Leelanau County, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

For the Year Ended December 31, 2006

	Special Revenue Funds	Debt Service Fund Law Enforcement	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 379,232	\$ -	\$ -	\$ 379,232
Intergovernmental:				
Federal grants	306,094	-	-	306,094
State grants	346,032	-	-	346,032
Local sources	91,281	-	-	91,281
Charges for services	1,147,169	-	-	1,147,169
Reimbursements	195,655	-	-	195,655
Interest	-	-	174	174
Other revenue	49,171	-	-	49,171
Total revenues	<u>2,514,634</u>	<u>-</u>	<u>174</u>	<u>2,514,808</u>
Expenditures				
Current expenditures:				
Judicial	57,735	-	-	57,735
General government	35,034	-	-	35,034
Public safety	961,486	-	-	961,486
Public works	227,037	-	-	227,037
Health and welfare	1,246,969	-	-	1,246,969
Debt service:				
Principal	-	125,000	-	125,000
Interest and fiscal charges	-	286,813	-	286,813
Capital outlay	-	-	47,287	47,287
Total expenditures	<u>2,528,261</u>	<u>411,813</u>	<u>47,287</u>	<u>2,987,361</u>
Revenues over (under) expenditures	<u>(13,627)</u>	<u>(411,813)</u>	<u>(47,113)</u>	<u>(472,553)</u>
Other financing sources (uses)				
Proceeds from sales of assets	680	-	-	680
Transfers in	721,853	350,000	-	1,071,853
Transfers out	(664,056)	-	-	(664,056)
Total other financing sources	<u>58,477</u>	<u>350,000</u>	<u>-</u>	<u>408,477</u>
Net change in fund balances	<u>44,850</u>	<u>(61,813)</u>	<u>(47,113)</u>	<u>(64,076)</u>
Fund balances, beginning of year	<u>2,670,042</u>	<u>95,813</u>	<u>149,687</u>	<u>2,915,542</u>
Fund balances, end of year	<u>\$ 2,714,892</u>	<u>\$ 34,000</u>	<u>\$ 102,574</u>	<u>\$ 2,851,466</u>

Leelanau County, Michigan

Combining Balance Sheet Nonmajor Special Revenue Funds

December 31, 2006

	Inmate Housing	Inmate Commissary	Community Corrections	Friend of the Court	Case Flow Assistance
Assets					
Cash and cash equivalents	\$ 44,076	\$ 1,850	\$ 4,420	\$ 87,923	\$ 32,336
Accounts receivable	31,764	-	-	-	-
Taxes receivable	-	-	-	-	-
Due from other governmental units	350	-	-	-	-
Prepaid items	-	-	-	-	-
Assets held for resale	-	-	-	-	-
Total assets	<u>\$ 76,190</u>	<u>\$ 1,850</u>	<u>\$ 4,420</u>	<u>\$ 87,923</u>	<u>\$ 32,336</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 1,095	\$ -	\$ 480	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Notes payable	-	-	-	-	-
Long-term advance from other funds	-	-	-	-	-
Total liabilities	<u>1,095</u>	<u>-</u>	<u>480</u>	<u>-</u>	<u>-</u>
Fund balances					
Fund balance:					
Reserved	-	-	-	-	-
Unreserved - undesignated	75,095	1,850	3,940	87,923	32,336
Total fund balances	<u>75,095</u>	<u>1,850</u>	<u>3,940</u>	<u>87,923</u>	<u>32,336</u>
Total liabilities and fund balances	<u>\$ 76,190</u>	<u>\$ 1,850</u>	<u>\$ 4,420</u>	<u>\$ 87,923</u>	<u>\$ 32,336</u>

Landfill	Recycling	911	Wireless 911	911 Training	EMD Grants	ROD Automation
\$ -	\$ 90,428	\$ 45,687	\$ 239,403	\$ 16,358	\$ 5,865	\$ 114,475
-	15,652	37,315	-	-	-	-
-	219,730	-	-	-	-	-
-	-	-	21,206	5,611	2,140	-
-	-	2,060	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 325,810</u>	<u>\$ 85,062</u>	<u>\$ 260,609</u>	<u>\$ 21,969</u>	<u>\$ 8,005</u>	<u>\$ 114,475</u>
\$ -	\$ 12,259	\$ 6,894	\$ -	\$ -	\$ -	\$ -
-	-	13,851	-	-	-	-
-	254,374	-	-	-	-	-
-	-	-	-	-	-	-
-	50,000	-	-	-	-	-
-	316,633	20,745	-	-	-	-
-	-	2,060	-	-	-	-
-	9,177	62,257	260,609	21,969	8,005	114,475
-	9,177	64,317	260,609	21,969	8,005	114,475
<u>\$ -</u>	<u>\$ 325,810</u>	<u>\$ 85,062</u>	<u>\$ 260,609</u>	<u>\$ 21,969</u>	<u>\$ 8,005</u>	<u>\$ 114,475</u>

Continued...

Leelanau County, Michigan

Combining Balance Sheet Nonmajor Special Revenue Funds

December 31, 2006

	Budget Stabilization	Homestead Audit	Gaming Revenue	Corrections Training	Law Library
Assets					
Cash and cash equivalents	\$ 1,149,113	\$ 8,033	\$ 61,522	\$ 2,125	\$ 7,348
Accounts receivable	-	-	-	416	-
Taxes receivable	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
Prepaid items	-	-	-	-	-
Assets held for resale	-	-	-	-	-
Total assets	<u>\$ 1,149,113</u>	<u>\$ 8,033</u>	<u>\$ 61,522</u>	<u>\$ 2,541</u>	<u>\$ 7,348</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ -	\$ 5	\$ 175	\$ -	\$ 1,707
Accrued liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Notes payable	-	-	-	-	-
Long-term advance from other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>5</u>	<u>175</u>	<u>-</u>	<u>1,707</u>
Fund balances					
Fund balance:					
Reserved	-	-	-	-	-
Unreserved - undesignated	1,149,113	8,028	61,347	2,541	5,641
Total fund balances	<u>1,149,113</u>	<u>8,028</u>	<u>61,347</u>	<u>2,541</u>	<u>5,641</u>
Total liabilities and fund balances	<u>\$ 1,149,113</u>	<u>\$ 8,033</u>	<u>\$ 61,522</u>	<u>\$ 2,541</u>	<u>\$ 7,348</u>

CDBG Administration	HOME	Commission on Aging	Criminal Justice Training	Alternative to Juvenile Jailing	Department of Human Services	Child Care
\$ 3,452	\$ 22,884	\$ 544,545	\$ 3,630	\$ -	\$ -	\$ 182,383
-	-	-	-	-	-	-
-	-	427,647	-	-	-	-
-	14,224	-	400	-	-	13,931
-	-	85	-	-	-	402
-	87,822	-	-	-	-	-
<u>\$ 3,452</u>	<u>\$ 124,930</u>	<u>\$ 972,277</u>	<u>\$ 4,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,716</u>
\$ 620	\$ -	\$ 5,642	\$ -	\$ -	\$ -	\$ 17,554
859	-	2,408	-	-	-	1,985
-	-	581,360	-	-	-	-
-	124,930	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,479</u>	<u>124,930</u>	<u>589,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,539</u>
-	-	85	-	-	-	402
<u>1,973</u>	<u>-</u>	<u>382,782</u>	<u>4,030</u>	<u>-</u>	<u>-</u>	<u>176,775</u>
<u>1,973</u>	<u>-</u>	<u>382,867</u>	<u>4,030</u>	<u>-</u>	<u>-</u>	<u>177,177</u>
<u>\$ 3,452</u>	<u>\$ 124,930</u>	<u>\$ 972,277</u>	<u>\$ 4,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,716</u>

Continued...

Leelanau County, Michigan

Combining Balance Sheet Nonmajor Special Revenue Funds

December 31, 2006

	Soldiers & Sailors	Veterans' Trust	Juvenile Justice	Child Care DHS	Farmland Preservation
Assets					
Cash and cash equivalents	\$ 14,138	\$ 1,939	\$ 9,964	\$ -	\$ 27,455
Accounts receivable	-	-	-	-	-
Taxes receivable	-	-	-	-	-
Due from other governmental units	-	-	6,369	-	-
Prepaid items	-	-	-	-	-
Assets held for resale	-	-	-	-	-
Total assets	<u>\$ 14,138</u>	<u>\$ 1,939</u>	<u>\$ 16,333</u>	<u>\$ -</u>	<u>\$ 27,455</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 410	\$ -	\$ -
Accrued liabilities	-	-	364	-	-
Deferred revenue	-	-	-	-	-
Notes payable	-	-	-	-	-
Long-term advance from other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>774</u>	<u>-</u>	<u>-</u>
Fund balances					
Fund balance:					
Reserved	-	-	-	-	-
Unreserved - undesignated	14,138	1,939	15,559	-	27,455
Total fund balances	<u>14,138</u>	<u>1,939</u>	<u>15,559</u>	<u>-</u>	<u>27,455</u>
Total liabilities and fund balances	<u>\$ 14,138</u>	<u>\$ 1,939</u>	<u>\$ 16,333</u>	<u>\$ -</u>	<u>\$ 27,455</u>

Communication Towers	Map Fund	Solid Waste Planning	Total
\$ 255,888	\$ 29,685	\$ 5,758	\$ 3,012,683
-	-	-	85,147
-	-	-	647,377
-	-	-	64,231
-	150	-	2,697
-	-	-	87,822
<u>\$ 255,888</u>	<u>\$ 29,835</u>	<u>\$ 5,758</u>	<u>\$ 3,899,957</u>

\$ 3,051	\$ -	\$ 109	\$ 50,001
-	-	-	19,467
104,933	-	-	940,667
-	-	-	124,930
-	-	-	50,000
<u>107,984</u>	<u>-</u>	<u>109</u>	<u>1,185,065</u>

-	150	-	2,697
<u>147,904</u>	<u>29,685</u>	<u>5,649</u>	<u>2,712,195</u>
<u>147,904</u>	<u>29,835</u>	<u>5,649</u>	<u>2,714,892</u>
<u>\$ 255,888</u>	<u>\$ 29,835</u>	<u>\$ 5,758</u>	<u>\$ 3,899,957</u>

Concluded

Leelanau County, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds

For the Year Ended December 31, 2006

	Inmate Housing	Inmate Commissary	Community Corrections	Friend of the Court	Case Flow Assistance
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:					
Federal	-	-	-	-	-
State	-	-	-	-	4,839
Local	-	-	-	-	-
Charges for services	339,496	4,300	1,500	3,860	-
Refunds and reimbursements	139,029	-	-	-	-
Other revenue	-	892	-	-	-
Total revenues	<u>478,525</u>	<u>5,192</u>	<u>1,500</u>	<u>3,860</u>	<u>4,839</u>
Expenditures					
Judicial	-	-	-	48,050	-
General government	-	-	-	-	-
Public safety	58,709	8,536	3,045	-	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Total expenditures	<u>58,709</u>	<u>8,536</u>	<u>3,045</u>	<u>48,050</u>	<u>-</u>
Revenues over (under) expenditures	<u>419,816</u>	<u>(3,344)</u>	<u>(1,545)</u>	<u>(44,190)</u>	<u>4,839</u>
Other financing sources (uses)					
Proceeds from sales of assets	-	-	-	-	-
Transfers in	-	-	-	60,000	-
Transfers out	(403,000)	-	-	-	-
Total other financing sources (uses)	<u>(403,000)</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>-</u>
Net change in fund balances	<u>16,816</u>	<u>(3,344)</u>	<u>(1,545)</u>	<u>15,810</u>	<u>4,839</u>
Fund balances, beginning of year	<u>58,279</u>	<u>5,194</u>	<u>5,485</u>	<u>72,113</u>	<u>27,497</u>
Fund balances, end of year	<u>\$ 75,095</u>	<u>\$ 1,850</u>	<u>\$ 3,940</u>	<u>\$ 87,923</u>	<u>\$ 32,336</u>

<u>Landfill</u>	<u>Recycling</u>	<u>911</u>	<u>Wireless 911</u>	<u>911 Training</u>	<u>EMD Grants</u>	<u>ROD Automation</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	29,164	-
-	7,247	-	100,518	14,260	-	-
-	-	-	-	-	-	-
-	176,095	382,181	-	-	-	42,865
-	-	-	-	-	-	-
-	3,131	-	-	-	-	-
-	186,473	382,181	100,518	14,260	29,164	42,865
-	-	-	-	-	-	-
-	-	-	-	-	-	15,029
-	-	717,045	430	3,166	29,182	-
-	198,329	-	-	-	-	-
-	-	-	-	-	-	-
-	198,329	717,045	430	3,166	29,182	15,029
-	(11,856)	(334,864)	100,088	11,094	(18)	27,836
-	-	-	-	-	-	-
-	17,144	190,000	-	-	-	-
(12,144)	-	-	(90,000)	-	-	-
(12,144)	17,144	190,000	(90,000)	-	-	-
(12,144)	5,288	(144,864)	10,088	11,094	(18)	27,836
12,144	3,889	209,181	250,521	10,875	8,023	86,639
<u>\$ -</u>	<u>\$ 9,177</u>	<u>\$ 64,317</u>	<u>\$ 260,609</u>	<u>\$ 21,969</u>	<u>\$ 8,005</u>	<u>\$ 114,475</u>

Continued...

Leelanau County, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds

For the Year Ended December 31, 2006

	Budget Stabilization	Homestead Audit	Gaming Revenue	Corrections Training	Law Library
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:					
Federal	-	-	-	-	-
State	-	-	-	-	-
Local	-	-	56,900	-	-
Charges for services	-	-	-	5,486	2,500
Refunds and reimbursements	-	-	-	-	-
Other revenue	-	3,587	-	-	-
Total revenues	-	3,587	56,900	5,486	2,500
Expenditures					
Judicial	-	-	-	-	9,685
General government	-	5	20,000	-	-
Public safety	-	-	53,474	7,466	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Total expenditures	-	5	73,474	7,466	9,685
Revenues over (under) expenditures	-	3,582	(16,574)	(1,980)	(7,185)
Other financing sources (uses)					
Proceeds from sales of assets	-	-	-	-	-
Transfers in	-	-	677	-	9,232
Transfers out	-	-	(8,000)	-	-
Total other financing sources (uses)	-	-	(7,323)	-	9,232
Net change in fund balances	-	3,582	(23,897)	(1,980)	2,047
Fund balances, beginning of year	1,149,113	4,446	85,244	4,521	3,594
Fund balances, end of year	<u>\$ 1,149,113</u>	<u>\$ 8,028</u>	<u>\$ 61,347</u>	<u>\$ 2,541</u>	<u>\$ 5,641</u>

CDBG Administration	HOME	Commission on Aging	Criminal Justice Training	Alternative to Juvenile Jailing	Department of Human Services	Child Care
\$ -	\$ -	\$ 379,232	\$ -	\$ -	\$ -	\$ -
-	258,032	9,342	-	-	2,100	7,456
-	-	348	4,754	-	-	180,448
-	-	34,381	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	56,626
-	-	16,261	-	-	-	-
-	258,032	439,564	4,754	-	2,100	244,530
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	7,683	-	-	-
-	-	-	-	-	-	-
62,532	237,032	421,106	-	-	14,100	472,755
62,532	237,032	421,106	7,683	-	14,100	472,755
(62,532)	21,000	18,458	(2,929)	-	(12,000)	(228,225)
-	-	680	-	-	-	-
58,800	21,000	8,000	-	-	12,000	325,000
(3,235)	(42,000)	(677)	-	-	-	-
55,565	(21,000)	8,003	-	-	12,000	325,000
(6,967)	-	26,461	(2,929)	-	-	96,775
8,940	-	356,406	6,959	-	-	80,402
\$ 1,973	\$ -	\$ 382,867	\$ 4,030	\$ -	\$ -	\$ 177,177

Continued...

Leelanau County, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds

For the Year Ended December 31, 2006

	Soldiers & Sailors	Veterans' Trust	Juvenile Justice	Child Care DHS	Farmland Preservation
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:					
Federal	-	-	-	-	-
State	-	2,681	9,830	6,107	-
Local	-	-	-	-	-
Charges for services	-	-	-	-	-
Refunds and reimbursements	-	-	-	-	-
Other revenue	-	-	-	-	25,300
Total revenues	-	2,681	9,830	6,107	25,300
Expenditures					
Judicial	-	-	-	-	-
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and welfare	350	1,239	26,673	8,507	2,675
Total expenditures	350	1,239	26,673	8,507	2,675
Revenues over (under) expenditures	(350)	1,442	(16,843)	(2,400)	22,625
Other financing sources (uses)					
Proceeds from sales of assets	-	-	-	-	-
Transfers in	-	-	20,000	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	20,000	-	-
Net change in fund balances	(350)	1,442	3,157	(2,400)	22,625
Fund balances, beginning of year	14,488	497	12,402	2,400	4,830
Fund balances, end of year	<u>\$ 14,138</u>	<u>\$ 1,939</u>	<u>\$ 15,559</u>	<u>\$ -</u>	<u>\$ 27,455</u>

Communication Towers	Map Fund	Solid Waste Planning	Total
\$ -	\$ -	\$ -	\$ 379,232
-	-	-	306,094
-	15,000	-	346,032
-	-	-	91,281
178,127	10,759	-	1,147,169
-	-	-	195,655
-	-	-	49,171
<u>178,127</u>	<u>25,759</u>	<u>-</u>	<u>2,514,634</u>
-	-	-	57,735
-	-	-	35,034
72,750	-	-	961,486
-	21,784	6,924	227,037
-	-	-	1,246,969
<u>72,750</u>	<u>21,784</u>	<u>6,924</u>	<u>2,528,261</u>
<u>105,377</u>	<u>3,975</u>	<u>(6,924)</u>	<u>(13,627)</u>
-	-	-	680
-	-	-	721,853
<u>(100,000)</u>	<u>-</u>	<u>(5,000)</u>	<u>(664,056)</u>
<u>(100,000)</u>	<u>-</u>	<u>(5,000)</u>	<u>58,477</u>
5,377	3,975	(11,924)	44,850
<u>142,527</u>	<u>25,860</u>	<u>17,573</u>	<u>2,670,042</u>
<u>\$ 147,904</u>	<u>\$ 29,835</u>	<u>\$ 5,649</u>	<u>\$ 2,714,892</u>

Concluded

Leelanau County, Michigan

Combining Balance Sheet Nonmajor Capital Project Funds

December 31, 2006

	<u>Communications</u>	<u>Drain Revolving</u>	<u>Brewery Creek Drain</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 96,250	\$ 5,973	\$ 351	\$ 102,574
Due from other funds	-	-	3,179	3,179
Total assets	<u>\$ 96,250</u>	<u>\$ 5,973</u>	<u>\$ 3,530</u>	<u>\$ 105,753</u>
Liabilities and fund balances				
Liabilities				
Due to other funds	\$ -	\$ 3,179	\$ -	\$ 3,179
Fund balances				
Fund balances - unreserved, undesignated	<u>96,250</u>	<u>2,794</u>	<u>3,530</u>	<u>102,574</u>
Total liabilities and fund balances	<u>\$ 96,250</u>	<u>\$ 5,973</u>	<u>\$ 3,530</u>	<u>\$ 105,753</u>

Leelanau County, Michigan

Combining Statement of Revenues, Expenditures And Changes in Fund Balance Nonmajor Capital Project Funds

For the Year Ended December 31, 2006

	<u>Communications</u>	<u>Drain Revolving</u>	<u>Brewery Creek Drain</u>	<u>Total</u>
Revenues				
Interest	\$ -	\$ 164	\$ 10	\$ 174
Expenditures				
Public works				
Capital outlay	<u>47,287</u>	<u>-</u>	<u>-</u>	<u>47,287</u>
Revenues over (under) expenditures	<u>(47,287)</u>	<u>164</u>	<u>10</u>	<u>(47,113)</u>
Net change in fund balances	<u>(47,287)</u>	<u>164</u>	<u>10</u>	<u>(47,113)</u>
Fund balances - beginning of year	<u>143,537</u>	<u>2,630</u>	<u>3,520</u>	<u>149,687</u>
Fund balances - end of year	<u><u>\$ 96,250</u></u>	<u><u>\$ 2,794</u></u>	<u><u>\$ 3,530</u></u>	<u><u>\$ 102,574</u></u>

Leelanau County, Michigan

Combining Statement of Net Assets Nonmajor Enterprise Funds

December 31, 2006

	Building Inspection	Maple Valley Nursing Home Property	Treasurer's Tax Reversion	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 198,444	\$ 337,562	\$ 79,555	\$ 615,561
Taxes receivable - delinquent	-	32	-	32
Prepaid items	823	-	-	823
Total current assets	199,267	337,594	79,555	616,416
Noncurrent assets				
Capital assets, net	-	188,605	-	188,605
Total assets	199,267	526,199	79,555	805,021
Liabilities				
Current liabilities				
Accounts payable	6,658	-	813	7,471
Accrued liabilities	6,898	-	-	6,898
Unearned revenue	-	32	-	32
Total current liabilities	13,556	32	813	14,401
Noncurrent liabilities				
Compensated absences	23,514	-	-	23,514
Total liabilities	37,070	32	813	37,915
Net assets				
Invested in capital assets	-	188,605	-	188,605
Unreserved	162,197	337,562	78,742	578,501
Total net assets	\$ 162,197	\$ 526,167	\$ 78,742	\$ 767,106

Leelanau County, Michigan

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets Nonmajor Enterprise Funds

For the Year Ended December 31, 2006

	Building Inspection	Maple Valley Nursing Home Property	Treasurer's Tax Reversion	Total
Operating revenue				
Charges for services	\$ 802,107	\$ -	\$ 39,199	\$ 841,306
Other revenues	-	38,048	-	38,048
Total operating revenue	802,107	38,048	39,199	879,354
Operating expenses				
Salary and wages	499,218	-	-	499,218
Depreciation	-	13,762	-	13,762
Other expenses	214,468	275	22,308	237,051
Total operating expenses	713,686	14,037	22,308	750,031
Change in net assets	88,421	24,011	16,891	129,323
Net assets, beginning of year	73,776	502,156	61,851	637,783
Net assets, end of year	\$ 162,197	\$ 526,167	\$ 78,742	\$ 767,106

Leelanau County, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds

For the Year Ended December 31, 2006

	Building Inspection	Maple Valley Nursing Home Property	Treasurer's Tax Reversion	Total
Cash flows from operating activities				
Cash receipts from customers	\$ 802,107	\$ 38,057	\$ 39,371	\$ 879,535
Cash payments to suppliers for goods and services	(221,757)	(284)	(21,810)	(243,851)
Cash payments to employees for services	(496,047)	-	-	(496,047)
Net cash provided by operating activities	84,303	37,773	17,561	139,637
Net increase in cash and cash equivalents	84,303	37,773	17,561	139,637
Cash and cash equivalents, beginning of year	114,141	299,789	61,994	475,924
Cash and cash equivalents, end of year	<u>\$ 198,444</u>	<u>\$ 337,562</u>	<u>\$ 79,555</u>	<u>\$ 615,561</u>
Cash flows from operating activities				
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 88,421	\$ 24,011	\$ 16,891	\$ 129,323
Adjustments to reconcile operating income to net cash from operating activities				
Depreciation	-	13,762	-	13,762
Changes in assets and liabilities				
Taxes receivable - delinquent	-	9	172	181
Prepaid items	(123)	-	-	(123)
Accounts payable	(7,166)	-	498	(6,668)
Accrued liabilities	3,171	-	-	3,171
Unearned revenue	-	(9)	-	(9)
Net cash provided by operating activities	<u>\$ 84,303</u>	<u>\$ 37,773</u>	<u>\$ 17,561</u>	<u>\$ 139,637</u>

Leelanau County, Michigan

Combining Statement of Net Assets Internal Service Funds

December 31, 2006

	Building and Grounds	Data Processing	Copy Machine	Mailing Department
Assets				
Current assets				
Cash and cash equivalents	\$ 282,120	\$ 348,254	\$ 201,932	\$ 16,098
Prepaid items	1,207	25,802	-	-
Due from other governments	-	8,500	-	-
Total current assets	283,327	382,556	201,932	16,098
Noncurrent assets				
Capital assets, net	26,449	26,883	14,627	-
Total assets	309,776	409,439	216,559	16,098
Liabilities				
Current liabilities				
Accounts payable	24,641	14,461	165	-
Accrued liabilities	2,234	1,045	-	-
Unearned revenue	-	2,087	-	-
Total liabilities	26,875	17,593	165	-
Net assets				
Invested in capital assets	26,449	26,883	14,627	-
Unrestricted	256,452	364,963	201,767	16,098
Total net assets	<u>\$ 282,901</u>	<u>\$ 391,846</u>	<u>\$ 216,394</u>	<u>\$ 16,098</u>

MMRMA Retention	Motor Pool	Totals
\$ -	\$ 173,265	\$ 1,021,669
72,429	-	99,438
-	-	8,500
72,429	173,265	1,129,607
-	171,720	239,679
72,429	344,985	1,369,286
32,478	-	71,745
-	-	3,279
-	-	2,087
32,478	-	77,111
-	171,720	239,679
39,951	173,265	1,052,496
<u>\$ 39,951</u>	<u>\$ 344,985</u>	<u>\$ 1,292,175</u>

Leelanau County, Michigan
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds

For the Year Ended December 31, 2006

	Building and Grounds	Data Processing	Copy Machine	Mailing Department
Operating revenue				
Charges for services	\$ 512,861	\$ 169,727	\$ 40,446	\$ 41,123
Operating grants	-	8,500	-	-
Total operating revenue	512,861	178,227	40,446	41,123
Operating expenses				
Salaries and fringes	163,956	75,551	-	-
Supplies	34,509	2,387	6,743	35,652
Gas and oil	3,891	-	-	-
Heat, power and lights	168,171	-	-	-
Repairs and maintenance	38,282	3,227	-	-
Equipment rent	17,516	-	-	-
Contractual services	28,532	62,131	20,419	5,940
Depreciation	12,083	17,926	10,490	-
Other expenses	2,030	-	-	970
Total operating expenses	468,970	161,222	37,652	42,562
Operating income (loss)	43,891	17,005	2,794	(1,439)
Nonoperating revenue (expense)				
Gain on disposal of capital assets	-	-	-	-
Interest on investments	-	-	-	-
Total nonoperating revenue (expense)	-	-	-	-
Operating income (loss) before transfers	43,891	17,005	2,794	(1,439)
Other financing sources and uses				
Transfers in	-	-	-	-
Transfers out	(25,000)	-	-	-
Total other financing sources (uses)	(25,000)	-	-	-
Changes in net assets	18,891	17,005	2,794	(1,439)
Net assets, beginning of year	264,010	374,841	213,600	17,537
Net assets, end of year	\$ 282,901	\$ 391,846	\$ 216,394	\$ 16,098

MMRMA Retention	Motor Pool	Totals
\$ 13,450	\$ 89,535	\$ 867,142
-	-	8,500
13,450	89,535	875,642
-	-	239,507
-	-	79,291
-	-	3,891
-	-	168,171
-	-	41,509
-	-	17,516
-	-	117,022
-	33,062	73,561
33,142	1,126	37,268
33,142	34,188	777,736
(19,692)	55,347	97,906
-	750	750
4,151	-	4,151
4,151	750	4,901
(15,541)	56,097	102,807
-	25,000	25,000
-	-	(25,000)
-	25,000	-
(15,541)	81,097	102,807
55,492	263,888	1,189,368
<u>\$ 39,951</u>	<u>\$ 344,985</u>	<u>\$ 1,292,175</u>

Leelanau County, Michigan

Internal Service Funds Combining Statement of Cash Flows

For the Year Ended December 31, 2006

	Building and Grounds	Data Processing	Copy Machine	Mailing Department
Cash flows from operating activities				
Cash received from interfund services	\$ 512,861	\$ 161,227	\$ 40,446	\$ 41,123
Cash received from customers	-	9,286	-	-
Cash payments to suppliers for goods and services	(288,524)	(87,119)	(21,530)	(42,562)
Cash payments to employees for services	(163,859)	(75,501)	-	-
Net cash provided by (used in) operating activities	60,478	7,893	18,916	(1,439)
Cash flows from non-capital financing activities				
Transfers in	-	-	-	-
Transfers out	(25,000)	-	-	-
Net cash provided by (used in) non-capital financing activities	(25,000)	-	-	-
Cash flows from capital and related financing activities				
Purchases of capital assets	-	(18,660)	(3,794)	-
Proceeds from sale of capital assets	-	-	-	-
Net cash used in capital and related financing activities	-	(18,660)	(3,794)	-
Cash flows from investing activities				
Interest received	-	-	-	-
Net cash provided by investing activities	-	-	-	-
Net increase (decrease) in cash and cash equivalents	35,478	(10,767)	15,122	(1,439)
Cash and cash equivalents, beginning of year	246,642	359,021	186,810	17,537
Cash and cash equivalents, end of year	\$ 282,120	\$ 348,254	\$ 201,932	\$ 16,098
Cash flows from operating activities				
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ 43,891	\$ 17,005	\$ 2,794	\$ (1,439)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	12,083	17,926	10,490	-
Changes in assets and liabilities				
Prepaid items	(1,207)	(10,220)	5,642	-
Due from other governments	-	(8,500)	-	-
Accounts payable	5,614	(9,154)	(10)	-
Accrued liabilities	97	50	-	-
Unearned revenue	-	786	-	-
Net cash provided by (used in) operating activities	\$ 60,478	\$ 7,893	\$ 18,916	\$ (1,439)

MMRMA Retention	Motor Pool	Totals
\$ 13,450	\$ 89,535	\$ 858,642
-	-	9,286
(17,601)	(1,126)	(458,462)
-	-	(239,360)
(4,151)	88,409	170,106
-	25,000	25,000
-	-	(25,000)
-	25,000	-
-	(135,632)	(158,086)
-	750	750
-	(134,882)	(157,336)
4,151	-	4,151
4,151	-	4,151
-	(21,473)	16,921
-	194,738	1,004,748
\$ -	\$ 173,265	\$ 1,021,669
\$ (19,692)	\$ 55,347	\$ 97,906
-	33,062	73,561
31,899	-	26,114
-	-	(8,500)
(16,358)	-	(19,908)
-	-	147
-	-	786
\$ (4,151)	\$ 88,409	\$ 170,106

Leelanau County, Michigan

Agency Funds Combining Balance Sheet

December 31, 2006

Assets	Trust & Agency	District Court	Library Penal Fine	Circuit Court Trust
Cash and cash equivalents	\$ 148,212	\$ 58,107	\$ 35,554	\$ 605,294
Liabilities				
Due to other governments	\$ 119,957	\$ -	\$ -	\$ -
Undistributed collections	16,568	-	35,554	-
Other current liabilities	11,687	58,107	-	605,294
Total liabilities	\$ 148,212	\$ 58,107	\$ 35,554	\$ 605,294

<u>Inmate Trust Account</u>	<u>Imprest Payroll Fund</u>	<u>Aflac Fund Account</u>	<u>Totals</u>
<u>\$ 4,319</u>	<u>\$ 4,352</u>	<u>\$ 7,094</u>	<u>\$ 862,932</u>
\$ -	\$ -	\$ -	\$ 119,957
-	-	-	52,122
<u>4,319</u>	<u>4,352</u>	<u>7,094</u>	<u>690,853</u>
<u>\$ 4,319</u>	<u>\$ 4,352</u>	<u>\$ 7,094</u>	<u>\$ 862,932</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



May 4, 2007

To the Board of Commissioners of
Leelanau County
Leland, Michigan

We have audited the financial statements of Leelanau County for the year ended December 31, 2006, and have issued our report thereon dated May 4, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated January 27, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Leelanau County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Leelanau County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Leelanau County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the liability for uninsured risks of loss, including incurred but not reported claims, which are accounted for in certain of the County's internal service funds and for which the County utilizes the services of an independent third-party risk management consultant to estimate the liability. We relied upon the work of the third-party expert in determining that the liability is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Leelanau County's financial reporting process (that is, cause future financial statements to be materially misstated). We proposed and/or agreed with 27 fund adjustments (seven of which were identified through the externally-assisted bank reconciliation procedures) and 15 GASB 34 adjustments for purposes of the government-wide financial statements that, in our judgment, both individually and in the aggregate, had a significant effect on the County's financial statements. All of these adjustments were recorded by the County and are reflected in the financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Leelanau County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

Leelanau County

Comments and Recommendations

For the Year Ended December 31, 2006

In planning and performing our audit of the financial statements of Leelanau County as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies, as described below, to be significant deficiencies in internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Significant Deficiencies

Internal Controls over Cash – Bank Reconciliations (Repeat Comment)

Condition. During the year, the County continued to have problems (i.e., identifying the reasons for fluctuating variances) in completing its bank reconciliations for its primary operating accounts. Eventually, near year end the County arranged for outside assistance to isolate the reasons for the fluctuating variances, correctly identify the reconciling items and properly complete the monthly reconciliations. This arrangement proved successful and we were provided with completed bank reconciliations for the audit, although an isolated variance of approximately \$10,000 (reconciled bank balance higher than the book balance) still exists.

Criteria. Properly completed bank reconciliations, prepared on a timely basis, are a fundamental element of internal control. State guidelines prescribe that bank reconciliations should be completed within six weeks from the end of a particular month.

Cause. County personnel responsible for completing the bank reconciliations, particularly the primary operating bank accounts, simply failed to identify all of the bank and book transactions that were reconciling items and to learn from that identification process in order to properly record those transactions to eliminate them as carryover or continuing reconciling items.

Leelanau County

Comments and Recommendations (Continued)

For the Year Ended December 31, 2006

Effect. Cash errors, unintentional or otherwise, cannot be detected on a timely basis if bank reconciliations are not regularly completed on a timely basis.

Recommendation. All monthly bank reconciliations should be completed within six weeks following month end (or the date of the bank statement if other than month end). The reconciliation should identify all reconciling items and eliminate any variances.

County Response. The County's response to this finding is as follows:

The County will continue to use The Rehmann Group to reconcile the bank statements, through the 2007 year, in order to keep the "un-reconciled difference" from getting unmanageable again.

The Board of Commissioners or the County Administrator will appoint a member of the staff to have the ultimate responsibility to reconcile the bank statements to the general ledger and not the internally generated spreadsheet without exception.

Beginning with the July, 2007 bank reconciliation, staff from The Rehmann Group will work with the appointed individual from above and train him/her on how the bank accounts should be reconciled.

Presuming that this "un-reconciled" difference does not change between now and December 31, 2007, the Board (or their designee) will recommend an authorization to record an entry to correct this difference.

Once the 2008 year starts a designated member of the Board of Commissioners (or their designee) will be required to review and approve the bank reconciliation within a prescribed period of time after month end. Approval of the reconciliation will be evidenced by the signature of the reviewer right on the reconciliation form.

Preparation of Financial Statements in Accordance with GAAP

Condition. As is the case with most small to medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Criteria. All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Leelanau County

Comments and Recommendations (Concluded)

For the Year Ended December 31, 2006

Cause. This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary expertise required for the government to perform this task internally.

Effect. As a result, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies on its external auditors for assistance with this task.

County Response. The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements and determined that it is in its best interests to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Other Matter

We recommend that the Board establish a policy which requires that the Delinquent Taxes subsidiary ledgers be reconciled with the general ledger control account without exception on a monthly basis. This reconciliation should be accomplished within a prescribed time period and should have evidence of approval by the Board's designee.

* * * * *